



City of Matlosana

**Annual Financial Statements
for the year ended 30 June 2014**

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

General Information

Nature of business and principal activities

Within its financial and administrative capacity :

- provide democratic and accountable government for the community of Matlosana;

- to ensure the provision of services to the community in a sustainable manner;

- to promote social and economic development;

- to promote a safe and healthy environment; and

- to encourage the involvement of the community and community organizations in the matters of the municipality.

Legislation governing the operations of the municipality includes but are not limited to the following:

- The Constitution of the Republic of South Africa, 1996 and specifically Chapter 7;

- Local Government: Municipal Structures Act 117 of 1998;

- Local Government: Municipal Systems Act 32 of 2000; and

- Local Government: Municipal Finance Management Act 56 of 2003

Mayoral committee

Executive Mayor

MK Khauoe

Councillors

MMS Lee

GR Kgosi

ME Mthimkulu

LV Rothmans

GC Mbobo

ML Mothibedi

ME Kgaile

RA Matsepe

NS Mandela

PR Poee

Accounting Officer

ET Motsemme

Chief Finance Officer (CFO)

MK Kgauwe

Registered office

Bram Fischer Street

Klerksdorp

2571

Business address

Bram Fischer Street

Klerksdorp

2571

Postal address

Post Office Box 99

Klerksdorp

2570

Bankers

ABSA Bank Ltd

Auditors

Auditor General

City of Matlosana

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MMC	Member of the Mayoral Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements is still subject to audit.

The annual financial statements set out on pages 317 to 380, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:



Accounting Officer
ET Motsemme

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	7	79 180 798	63 846 307
Receivables from exchange transactions	8	25 990 948	21 672 305
VAT receivable	9	17 622 652	50 689 545
Consumer debtors	10	75 798 944	78 857 935
Other receivables	6	4 600 249	2 827 129
Cash and cash equivalents	11	49 657 662	58 296 126
		252 851 253	276 189 347
Non-Current Assets			
Investment property	2	46 210 660	48 524 161
Property, plant and equipment	3	6 143 394 679	6 449 956 611
Intangible assets	4	763 104	763 104
Other financial assets	5	24 016 041	16 377 449
Other receivables	6	186 599	209 709
		6 214 571 083	6 515 831 034
Nature reserve - Wild stock		2 027 613	3 341 648
Total Assets		6 469 449 949	6 795 362 029
Liabilities			
Current Liabilities			
Other financial liabilities	13	14 706 478	17 003 821
Payables from exchange transactions	16	496 914 192	366 069 346
Unspent conditional grants and receipts	14	55 521 713	98 790 674
Provisions	15	13 533 648	14 402 818
Consumer deposits	17	16 678 404	39 705 014
		597 354 435	535 971 673
Non-Current Liabilities			
Other financial liabilities	13	110 132 531	124 839 009
Provisions	15	243 462 265	276 580 542
		353 594 796	401 419 551
Total Liabilities		950 949 231	937 391 224
Net Assets		5 518 500 718	5 857 970 805
Net Assets			
Reserves			
Housing development fund	12	5 125 928	5 125 928
Accumulated surplus		5 513 374 790	5 852 844 877
Total Net Assets		5 518 500 718	5 857 970 805

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue	18	1 696 167 040	1 424 327 643
Other income	22	70 553 910	74 104 002
Operating expenses		(2 129 035 183)	(1 914 939 065)
Operating deficit		(362 314 233)	(416 507 420)
Investment revenue	27	57 067 891	45 076 379
Finance costs	29	(34 223 742)	(29 321 867)
Deficit for the year		(339 470 084)	(400 752 908)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	5 125 928	5 960 899 661	5 966 025 589
Adjustments			
Correction of errors	-	292 698 124	292 698 124
Balance at 01 July 2012 as restated*	5 125 928	6 253 597 785	6 258 723 713
Changes in net assets			
Restated deficit for the year (refer to note 37)	-	(400 752 908)	(400 752 908)
Total changes	-	(400 752 908)	(400 752 908)
Balance at 01 July 2013	5 125 928	5 852 844 874	5 857 970 802
Changes in net assets			
Deficit for the year	-	(339 470 084)	(339 470 084)
Total changes	-	(339 470 084)	(339 470 084)
Balance at 30 June 2014	5 125 928	5 513 374 790	5 518 500 718
Note(s)	12		

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Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		960 340 309	781 774 710
Grants		435 382 767	463 887 955
Interest income		57 067 891	45 076 379
VAT received		33 066 893	6 557 533
Other receipts		64 423 792	123 030 330
		<u>1 550 281 652</u>	<u>1 420 326 907</u>
Payments			
Employee costs		(462 224 849)	(450 894 293)
Suppliers		(886 276 578)	(839 017 824)
Finance costs		(34 223 742)	(29 321 867)
		<u>(1 382 725 169)</u>	<u>(1 319 233 984)</u>
Net cash flows from operating activities	33	<u>167 556 483</u>	<u>101 092 923</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(132 756 619)	(107 165 978)
Proceeds from sale of property, plant and equipment	3	1 894 980	1 814 089
Proceeds from sale of Investment property		2 313 501	1 523 779
Net movement of financial assets		(7 638 592)	5 245 774
Proceeds from sale of other receivables		22 214	(6 836 316)
Net cash flows from investing activities		<u>(136 164 516)</u>	<u>(105 418 652)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(17 003 821)	(18 811 197)
Movement in consumer deposits		(23 026 610)	16 392 194
Net cash flows from financing activities		<u>(40 030 431)</u>	<u>(2 419 003)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(8 638 464)</u>	<u>(6 744 732)</u>
Cash and cash equivalents at the beginning of the year		58 296 126	65 040 858
Cash and cash equivalents at the end of the year	11	<u>49 657 662</u>	<u>58 296 126</u>

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 016 721 745	(186 151 669)	830 570 076	988 903 852	158 333 776	The budgeted service charges were reduced to account for the debt impairment adjustment.
Rendering of services	35 000	-	35 000	4 154	-30 846	
Rental of facilities and equipmen	7 879 960	178 000	8 057 960	4 905 070	-3 152 890	
Licences and permits	8 668 559	(1 252 613)	7 415 946	7 012 811	-403 135	
Miscellaneous other revenue	1 641 000	-	1 641 000	211 098	-1 429 902	
Commissions received	8 605 907	-	8 605 907	10 337 606	1 731 699	
Royalties received	1 683 000	-	1 683 000	2 123 176	440 176	
Rental income	577 800	(300 000)	277 800	138 187	-139 613	
Discount received	555 000	400 000	955 000	880 337	-74 663	
Recoveries	40 000	980 898	1 020 898	40 645 863	39 624 965	There was an underbudget for the income recoveries.
Other income	70 520 387	(62 300 900)	8 219 487	16 428 741	8 209 254	
Interest received - investment	42 415 314	887 003	43 302 317	57 067 891	13 765 574	
Total revenue from exchange transactions	1 159 343 672	(247 559 281)	911 784 391	1 128 658 786	216 874 395	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	195 590 275	(36 544 352)	159 045 923	190 356 831	31 310 908	The budgeted property rates were reduced to account for the debt impairment adjustment.
Government grants & subsidies	410 170 023	8 416 633	418 586 656	478 651 728	60 065 072	The budget did not accurately project certain capital transfers.
Transfer revenue						
Levies	2 789 230	-	2 789 230	1 397 186	(1 392 044)	
Fines	13 143 800	(6 000 000)	7 143 800	9 305 861	2 162 061	
Market Dues	15 000 000	-	15 000 000	15 418 449	418 449	
Total revenue from non-exchange transactions	636 693 328	-34 127 719	602 565 609	695 130 055	92 564 446	
Total revenue	1 796 037 000	-281 687 000	1 514 350 000	1 823 788 841	309 438 841	
Expenditure						
Personnel	(448 922 823)	6 802 475	(442 120 348)	(456 008 075)	(13 887 727)	
Remuneration of councillors	(23 880 050)	-	(23 880 050)	(20 850 463)	3 029 587	
Depreciation and amortisation	(160 453 630)	160 453 630	-	(436 672 171)	(436 672 171)	The adjusted budget did not take into account the depreciation in an effort to reflect cash only expenditure.
Finance costs	(15 527 721)	(1 836 867)	(17 364 588)	(34 223 742)	(16 859 154)	
Debt impairment	(120 000 000)	120 000 000	-	(221 979 362)	(221 979 362)	The adjusted budget did not take into account the debt impairment in an effort to reflect cash only expenditure.
Repairs and maintenance	(59 947 645)	11 720 969	(48 226 676)	(39 497 939)	8 728 737	
Bulk purchases	(595 360 440)	-	(595 360 440)	(646 684 366)	(51 323 926)	There was underbudget for bulk purchases.
Contracted Services	(79 946 750)	(18 816 510)	(98 763 260)	(98 654 756)	108 504	
General Expenses	(285 350 941)	(1 116 697)	(286 467 638)	(208 688 051)	77 779 587	Due to cashflow constraints it was not possible to meet all the budgeted expenditure.
Total expenditure	(1 789 390 000)	277 207 000	(1 512 183 000)	(2 163 258 925)	(651 075 925)	
Deficit before taxation	6 647 000	(4 480 000)	2 167 000	(339 470 084)	(341 637 084)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement						
	6 647 000	(4 480 000)	2 167 000	(339 470 084)	(341 637 084)	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

1.4 Nature Reserve - Wild Stock

The entity recognises nature reserve - wild stock when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Nature Reserve - Wild Stock are measured at their fair value less costs to sell.

The fair value of the wild stock is determined based on auction prices.

A gain or loss arising on initial recognition of nature reserve - wild stock at fair value less costs to sell and from a change in fair value less costs to sell of a nature reserve - wild stock is included in surplus or deficit for the period in which it arises.

Accounting Policies

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	7 - 30 years
Furniture and fixtures	7 - 10 years
Infrastructure	
• Roads and paving	10 to 30 years
• Electricity	20 to 30 years
• Wastewater network	15 to 20 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Other vehicles	3 to 20 years
Other equipment	5 to 10 years
Specialised plant and machinery	5 to 15 years
Other property, plant and equipment	3 to 15 years

The residual value, useful life and the depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, ie is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Accounting Policies

1.8 Heritage assets (continued)

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Heritage assets are shown at cost and are not depreciated owing to uncertainty regarding to their estimated useful lives.

1.9 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

Accounting Policies

1.9 Financial instruments (continued)

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Accounting Policies

1.9 Financial instruments (continued)

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Accounting Policies

1.10 Leases (continued)

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The lease assets are depreciated at appropriate rates as per the relevant policy.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in restated deficit as per statement of changes in net assets.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the expense to the municipality.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Accounting Policies

1.12 Employee benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefit to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Leave and bonus accruals :

- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and the bonus accrual based on the initial inception of the service month.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Accounting Policies

1.13 Provisions and contingencies (continued)

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (eg high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services or has liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or their equivalents are recognised in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Accounting Policies

1.18 Borrowing costs (continued)

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes :

- overspending of the total amount appropriated in the approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the act.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the restated deficit as per statement of changes in net assets in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the restated deficit as per statement of changes in net assets.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000) and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Restated deficit as per Statement of changes in Net Assets and where recovered, it is subsequently accounted for as revenue in the Restated deficit as per Statement of changes in Net Assets.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Accounting Policies

1.25 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the restated deficit as per statement of changes in net assets when the gratuity is paid.

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the restated deficit as per statement of changes in net assets.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the restated deficit as per statement of changes in net assets in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the restated deficit as per statement of changes in net assets as they arise.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Segmental information

Segmental information on property, plant and equipment as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.30 Retirement benefits

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees :

- Municipal Employees Gratuity Fund
- Pension Fund for Municipal Councillors
- National Fund for Municipal Workers
- SALA Pension Fund
- SAMWU Provident Fund

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.30 Retirement benefits (continued)

- Municipal Employees Pension Fund

Council does not operate or are not involved in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the employer.

1.31 Going concern

These annual financial statements have been prepared on a going concern basis.

1.32 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified.

1.33 New Standards and Interpretations

Application of all of the GRAP standards listed below will be effective from a date to be announced by the Minister of Finance.

Management has considered all the of the listed GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 25 Employee Benefits
- GRAP 105 Transfers between entities under common control
- GRAP 106 Transfers between entities not under common control
- GRAP 107 Mergers
- Improvements to Standards of GRAP

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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2. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	46 210 660	-	46 210 660	48 524 161	-	48 524 161

Reconciliation of investment property - 2014

	Opening balance	Transfers	Total
Investment property	48 524 161	(2 313 501)	46 210 660

Reconciliation of investment property - 2013

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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2. Investment property (continued)

	Opening balance	Transfers	Total
Investment property	50 047 940	(1 523 779)	48 524 161

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements are as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale and
 - the amount of gain or loss recognised.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2014		2013	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and impairment
				Carrying value
Buildings	531 480 508	(91 912 745)	439 567 763	534 906 547
Infrastructure	10 120 922 935	(5 182 224 362)	4 938 698 573	10 007 141 947
Community	942 025 105	(255 353 772)	686 671 333	928 041 663
Heritage	2 610 116	-	2 610 116	2 610 116
Other property, plant and equipment	154 308 809	(78 461 915)	75 846 894	151 083 399
Total	11 751 347 473	(5 607 952 794)	6 143 394 679	11 623 783 672
				(5 173 827 061)
				6 449 956 611

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	466 329 426	-	-	(1 895 016)	-	-	(23 335 624)	(1 531 023)	439 567 763
Infrastructure	5 165 027 703	115 227 614	(614 727)	-	-	-	(340 942 017)	-	4 938 698 573
Community	728 698 673	13 983 442	-	-	-	-	(56 010 782)	-	686 671 333
Heritage	2 610 116	-	-	-	-	-	-	-	2 610 116
Other property, plant and equipment	87 290 693	3 545 563	(136 636)	-	-	-	(14 771 600)	(81 126)	75 846 894
	6 449 956 611	132 756 619	(751 363)	(1 895 016)	-	-	(435 060 023)	(1 612 149)	6 143 394 679

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Buildings	487 137 437	1 218 987	(1 814 090)	-	-	(20 212 908)	466 329 426
Infrastructure	5 402 576 600	102 790 243	-	-	-	(340 339 140)	5 165 027 703
Community	777 286 254	2 656 881	-	-	-	(51 244 462)	728 698 673
Heritage	2 610 116	-	-	-	-	-	2 610 116
Other property, plant and equipment	102 617 353	499 867	-	-	-	(15 826 527)	87 290 693
	6 772 227 760	107 165 978	(1 814 090)	-	-	(427 623 037)	6 449 956 611

Pledged as security

None of the Property Plant and Equipment is pledged as security.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	81 872 886	81 872 886
Additions/capital expenditure	61 551 030	61 551 030
Transferred to completed items	(39 521 498)	(39 521 498)
	103 902 418	103 902 418

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	105 273 842	9 761 230	1 842 020	116 877 092
Additions/capital expenditure	32 206 079	-	-	32 206 079
Transferred to completed items	(55 607 035)	(9 761 230)	(1 842 020)	(67 210 285)
	81 872 886	-	-	81 872 886

4. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	763 104	-	763 104	763 104	-	763 104

5. Other financial assets

At amortised cost

Concessionary loan granted	24 016 041	16 377 449
The municipality has not reclassified any financial assets from amortised cost to fair value or from fair value to amortised during the current or prior year.		

Non-current assets

At amortised cost	24 016 041	16 377 449
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Financial assets at amortised cost

Nominal value of concessionary loans

Nedcor: FK183349	17 131 213	15 971 240
The Nedcor investment is encumbered by a pledge of R3 700 000.		
Sanlam: Capital guaranteed fund - 040710409X0	431 895	406 209
Sanlam: Capital guaranteed fund - 040644725x0	6 452 932	-
	24 016 040	16 377 449

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
6. Other receivables		
Loan to Klerksdorp Rolbalklub		
Short term portion of loan	23 088	22 192
Long term portion of loan	186 599	209 709
	209 687	231 901
An existing loan to the Klerksdorp Rolbalklub is being repaid with an interest rate of 5% applicable. The MFMA stopped the practice of giving loans to sport bodies		
Remuneration overpaid to councillors		
Remuneration due from Councillors	4 577 161	2 804 937
The councillors received remuneration that was above the upper limits as determined by the Minister of Finance hence in order for the requirements of section 7(1) of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998) to be complied with, this overpayments have to be repaid by the councillors. This amount constitutes Irregular expenditure deemed recoverable.		
7. Inventories		
Consumable stores	47 132 853	31 586 185
Water	1 530 528	1 331 579
Museum stores - at authorised value	165 182	146 007
Unsold properties held for resale at council resolution or municipal valuation	30 352 235	30 782 536
	79 180 798	63 846 307
8. Receivables from exchange transactions		
Deposits	727 153	727 153
Receivables	21 839 845	19 156 546
Market	1 939 506	388 548
Housing and housing rentals	1 484 444	1 400 058
	25 990 948	21 672 305
9. VAT receivable		
VAT	17 622 652	50 689 545
10. Consumer debtors		
Gross balances		
Rates	88 034 004	95 982 178
Electricity	248 581 626	204 188 217
Water	465 675 017	377 475 883
Sewerage	113 117 997	99 902 032
Refuse	127 784 322	105 488 117
Interest on overdue accounts	339 376 263	292 739 721
Other	198 181 140	186 053 850
	1 580 750 369	1 361 829 998

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
10. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(81 268 174)	(88 406 632)
Electricity	(236 221 895)	(193 215 215)
Water	(441 674 192)	(356 325 224)
Sewerage	(107 913 503)	(94 849 153)
Refuse	(121 490 274)	(99 875 729)
Interest on overdue accounts	(321 563 317)	(275 872 201)
Other	(194 820 070)	(174 427 909)
	(1 504 951 425)	(1 282 972 063)
Net balance		
Rates	6 765 830	7 575 546
Electricity	12 359 731	10 973 002
Water	24 000 825	21 150 659
Sewerage	5 204 494	5 052 879
Refuse	6 294 048	5 612 388
Interest on overdue accounts	17 812 946	16 867 520
Other	3 361 070	11 625 941
	75 798 944	78 857 935
Rates		
Current (0 -30 days)	12 289 120	12 226 704
31 - 60 days	2 502 225	3 014 663
61 - 90 days	2 274 053	2 356 507
91+ days	70 968 606	78 384 304
Provision for bad debts	(81 268 174)	(88 406 632)
	6 765 830	7 575 546
Electricity		
Current (0 -30 days)	37 681 540	30 448 894
31 - 60 days	8 017 152	7 058 876
61 - 90 days	4 023 760	2 400 430
91 + days	198 859 174	164 280 016
Provision for bad debts	(236 221 895)	(193 215 214)
	12 359 731	10 973 002
Water		
Current (0 -30 days)	21 350 983	16 698 359
31 - 60 days	12 617 707	9 461 745
61 - 90 days	10 398 278	6 850 818
91 + days	421 308 050	344 464 961
Provision for bad debts	(441 674 193)	(356 325 224)
	24 000 825	21 150 659
Sewerage		
Current (0 -30 days)	4 579 610	4 368 451
31 - 60 days	1 730 808	1 736 669
61 - 90 days	1 313 816	1 356 394
91 + days	105 493 763	92 440 518
Provision for bad debts	(107 913 503)	(94 849 153)
	5 204 494	5 052 879

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
10. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	4 920 157	3 445 825
31 - 60 days	2 269 123	1 705 699
61 - 90 days	1 905 483	1 509 152
91 + days	118 689 559	98 827 441
Provision for bad debts	(121 490 274)	(99 875 729)
	6 294 048	5 612 388
Interest on overdue accounts		
Current (0 -30 days)	5 689 950	4 351 743
31 - 60 days	5 540 309	4 404 421
61 - 90 days	4 930 755	4 289 289
91 + days	323 215 250	279 694 268
Provisions for bad debts	(321 563 318)	(275 872 201)
	17 812 946	16 867 520
Other		
Current (0 -30 days)	11 866 649	9 522 566
31 - 60 days	4 690 251	7 391 105
61 - 90 days	3 161 002	2 694 636
91 + days	178 463 238	166 445 543
Provision for bad debts	(194 820 070)	(174 427 909)
	3 361 070	11 625 941
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 282 972 063)	(1 131 948 438)
Contributions to allowance	(221 979 362)	(151 789 232)
Debt impairment written off against allowance	-	765 607
	(1 504 951 425)	(1 282 972 063)

The carrying value of consumer debtors approximate fair value.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	68 500	68 500
Bank balances	25 680 989	2 777 387
Short-term deposits	23 908 173	55 450 239
	49 657 662	58 296 126

Contract debtors were pledged as security for overdraft facilities of - (2013: -) of the municipality. At year end the overdraft amounted to - (2013: -).

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - cheque account - 4060008684	83 216	3 000	4 460 443	72 005	(16 000)	3 134 799
ABSA Bank - cheque account - 01000100176	12 740 886	3 436 786	4 626 409	22 196 106	813 979	11 977 034
ABSA Bank - cheque account - 950164379 (Council water)	3 543 222	2 074 331	179 314	3 177 193	1 766 987	66 398
ABSA Bank - cheque account - 950000090 (Market)	780 414	2 514 814	2 514 814	92 062	92 062	92 062
ABSA Bank - call account - 4071085841 (Housing)	143 624	120 359	116 961	143 624	120 359	116 961
Total	17 291 362	8 149 290	11 897 941	25 680 990	2 777 387	15 387 254

12. Housing development fund

Unappropriated surplus	5 130 428	5 125 928
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The housing development fund is represented by the following assets and liabilities :

Bank and cash	5 130 428	5 125 928
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13. Other financial liabilities

At amortised cost

Shiva Uranium	13 602 889	13 602 889
The loan is interest free and repayable by selling portable water to the company at R0.50 per kilolitre discount to the regular price of potable water pumped.		
Annuity loans	111 236 120	128 239 941
Refer to appendix A for more detail on long-term liabilities.		
	124 839 009	141 842 830

Total other financial liabilities

124 839 009	141 842 830
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Non-current liabilities

At amortised cost	110 132 531	124 839 009
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Current liabilities

At amortised cost	14 706 478	17 003 821
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City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MIG	43 477 395	90 323 678
National Electricity Regulator	2 322 308	2 322 308
FMG	629 101	881 343
DWAF	276 464	276 464
MSIG	229 622	-
EPWP	3 690 262	3 690 288
Fire Grant	52 606	52 606
Library grant	1 066 119	1 030 811
Dr Kenneth Kaunda District Municipality	213 176	213 176
Disaster Assessment Management Grant	200 000	-
District Grant	3 364 660	-
	55 521 713	98 790 674

See note 21 for reconciliation of grants from National/Provincial Government.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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15. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reduction due to re-measurement or settlement	Total
Environmental rehabilitation	11 843 979	2 510 405	-	14 354 384
Continuous medical aid contribution	235 206 401	-	(39 607 915)	195 598 486
Performance bonuses	820 605	-	-	820 605
Long service awards	43 112 375	3 110 063	-	46 222 438
	290 983 360	5 620 468	(39 607 915)	256 995 913

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	34 780 579	501 143	(23 437 743)	11 843 979
Continuous medical aid contribution	226 367 272	8 839 129	-	235 206 401
Performance bonuses	820 605	-	-	820 605
Long service awards	37 095 715	6 016 660	-	43 112 375
	299 064 171	15 356 932	(23 437 743)	290 983 360

Non-current liabilities	243 462 265	276 580 542
Current liabilities	13 533 648	14 402 818
	256 995 913	290 983 360

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost.

Employee benefit cost provision

	2014	2013
Opening defined benefit obligation	235 206 401	226 367 272
Plus Service Cost	9 559 011	9 482 414
Plus Interest / Finance cost	20 265 331	19 029 615
Less Employer contribution made	-	(9 246 300)
Actuarial (Gain)/Loss	(60 636 064)	(10 426 600)
Expected Employer Benefit Payments	(8 796 193)	-
	195 598 486	235 206 401

The Municipality provides a subsidy towards medical aid contributions payable by some employees who joined Matlosana and remain in the employ of Matlosana until retirement. The post-employment subsidy policy aims to be the same as that during employment. The subsidy rate is at a rate of 60% of monthly contributions and is subject to a cap, which is currently at R3 168.04. This defined benefit obligation is unfunded.

The value of this provision was determined by ARCH Actuarial Consulting CC, an independent actuarial consulting firm, as at 30 June 2014. The value of the provision is dependent on, amongst others, the demographic profile of employees, long maturity bond yields as well as assumptions for mortality and medical scheme contributions.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

Discount rate : 8.88% (2013 :8.92%)

Future Medical inflation rate per annum : 8.1% (2013 : 7.61%)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
15. Provisions (continued)		
Take-up by retired employees : 100% (2013 : 100%)		
Retirement age : 65 (2013 : 65)		
Pre retirement mortality : SA85-90 [Light] Ultimate (2013 : SA85-90 [Light] Ultimate)		
Post retirement mortality : PA[90] (2013 : PA[90])		
Provision for Long Service Awards	2014	2013
Balance at beginning of year	43 112 375	37 095 715
Current-service cost	3 882 595	3 489 506
Interest cost	3 074 788	2 564 920
Benefits Paid	(4 786 020)	(2 355 332)
Actuarial Loss / (Gain)	938 700	2 317 566
	46 222 438	43 112 375

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 2 152 employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2014 is estimated to be R3 882 995, whereas the cost for the ensuing year is estimated to be R4 020 405 (30 June 2013: R3 489 506 and R3 882 995 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate: 8.09% (2013: 7.54%)

Cost Inflation Rate: 7.19% (2013: 6.48%)

Net Effective Discount Rate: 0.84% (2013:1.00%)

Expected Retirement Age: 65 (2013:65)

16. Payables from exchange transactions

Trade payables	329 232 632	220 876 370
Payments received in advanced	46 343 021	31 194 516
Accrued leave pay	64 699 773	56 243 948
Long Service Leave	4 211 424	1 143 623
Sundry creditors	52 281 648	56 490 530
Housing : Absa bank account	143 624	120 359
Other Creditors	2 070	-
	496 914 192	366 069 346

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
17. Consumer deposits		
Electricity and water	25 525 898	39 705 014
Guarantees held :		
In lieu of debtors for the Fresh Produce Market	250 000	400 000
In lieu of electricity and water deposits	2 033 580	1 926 198
	2 283 580	2 326 198
18. Revenue		
Rendering of services	4 154	22 594
Service charges	988 903 852	755 446 840
Rental of facilities and equipment	4 905 070	7 967 927
Licences and permits	7 012 811	6 649 116
Miscellaneous other revenue	211 098	1 300 165
Property rates	190 356 831	189 017 160
Government grants & subsidies	478 651 728	441 141 568
Levies	1 397 186	1 367 641
Fines	9 305 861	7 943 389
Market Dues	15 418 449	13 471 243
	1 696 167 040	1 424 327 643
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	988 903 852	755 446 840
Rendering of services	4 154	22 594
Rental of facilities and equipment	4 905 070	7 967 927
Licences and permits	7 012 811	6 649 116
Miscellaneous other revenue	211 098	1 300 165
Commissions received	10 337 606	9 889 822
Recoveries	40 645 863	13 330 882
	1 052 020 454	794 607 346
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	190 356 831	189 017 160
Transfer revenue		
Market dues	478 651 728	441 141 568
Levies	1 397 186	1 367 641
Fines	9 305 861	7 943 389
Other transfer revenue	15 418 449	13 471 243
	695 130 055	652 941 001

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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19. Property rates

Rates received

Residential	163 656 229	164 143 551
State	11 240 316	10 698 150
Indigent	15 422 231	14 137 404
Sundry debtors	38 055	38 055
	190 356 831	189 017 160

Valuations

Residential	29 399 639 000	29 399 639 000
State	481 872 000	481 872 000
Municipal and farms	1 262 138 000	1 262 138 000
Agricultural	182 908 000	182 908 000
	31 326 557 000	31 326 557 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. The valuations were done by DDP Valuers on behalf of the Municipality. An extension of the current valuation roll till July 2014 was granted by the Member of the Executive Committee responsible for Local Government.

20. Service charges

Sale of electricity	576 582 490	448 985 197
Sale of water	283 922 786	203 164 849
Sewerage and sanitation charges	60 810 434	57 305 792
Refuse removal	67 588 142	45 991 002
	988 903 852	755 446 840

21. Government grants and subsidies

Operating grants

Equitable share	337 085 000	335 773 000
MIG	122 716 284	89 496 386
NERSA	-	8 984 104
FMG	1 802 242	1 004 466
MSIG	660 379	800 000
Fire Grant	-	447 988
Library Grant	364 692	8 800
District Grant	12 223 105	-
	474 851 702	436 514 744

Capital grants

District MEYMP	2 800 000	2 786 824
EPWP	1 000 026	1 840 000
	3 800 026	4 626 824
	478 651 728	441 141 568

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 280 - (2013: 248), which is funded from the grant.

MIG

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
21. Government grants and subsidies (continued)		
Balance unspent at beginning of year	90 323 678	57 774 063
Current-year receipts	75 870 000	122 046 000
Conditions met - transferred to revenue	(122 716 283)	(89 496 385)
	43 477 395	90 323 678
Conditions still to be met - remain liabilities (see note 14)		
NERSA		
Balance unspent at beginning of year	2 322 308	8 806 412
Current-year receipts	-	2 500 000
Conditions met - transferred to revenue	-	(8 984 104)
	2 322 308	2 322 308
Conditions still to be met - remain liabilities (see note 14)		
FMG		
Balance unspent at beginning of year	881 343	385 808
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 802 242)	(1 004 465)
	629 101	881 343
Conditions still to be met - remain liabilities (see note 14)		
DWAF		
Balance unspent at beginning of year	276 464	276 464
Conditions still to be met - remain liabilities (see note 14)		
MSIG		
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(660 378)	(800 000)
	229 622	-
Conditions still to be met - remain liabilities (see note 14)		
EPWP		
Balance unspent at beginning of year	3 690 288	3 690 288
Current-year receipts	1 000 000	1 840 000
Conditions met - transferred to revenue	(1 000 026)	(1 840 000)
	3 690 262	3 690 288
Conditions still to be met - remain liabilities (see note 14)		

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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21. Government grants and subsidies (continued)

Fire

Balance unspent at beginning of year	52 606	500 594
Conditions met - transferred to revenue	-	(447 988)
	52 606	52 606

Conditions still to be met - remain liabilities (see note 14).

Library

Balance unspent at beginning of year	1 030 811	639 611
Current-year receipts	400 000	400 000
Conditions met - transferred to revenue	(364 692)	(8 800)
	1 066 119	1 030 811

Conditions still to be met - remain liabilities (see note 14).

District MEYMP

Balance unspent at beginning of year	213 176	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(2 786 824)
	213 176	213 176

Conditions still to be met - remain liabilities (see note 14).

Disaster Assessment Management Grant

Current-year receipts	200 000	-
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Conditions still to be met - remain liabilities (see note 14).

District Grant

Current-year receipts	15 587 765	-
Conditions met - transferred to revenue	(12 223 105)	-
	3 364 660	-

Conditions still to be met - remain liabilities (see note 14).

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
22. Other income		
Commissions received	10 337 606	9 889 822
Royalties received	2 123 176	1 212 273
Rental income - third party	138 187	176 417
Discount received	880 337	435 478
Recoveries	1 037 948	292 100
Gain on movement of provisions	39 607 915	13 038 782
Other miscellaneous income	16 428 741	23 059 130
Income Subsidy Administration	-	26 000 000
	70 553 910	74 104 002

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
23. General expenses		
Advertising	4 005 458	3 141 785
Assessment rates & municipal charges	-	2 799 400
Auditors remuneration	4 845 403	5 922 054
Bank charges	7 280 161	5 191 411
Cleaning	-	1 022
Consulting and Legal fees	8 591 386	8 932 668
Consumables	1 194 025	1 440 061
Discount allowed	871 994	712 012
Entertainment	254 907	447 059
Fines and penalties	5 972 999	265 200
Installation cost	19 821 032	7 742 846
Animal Costs	1 833	6 626
Gifts	9 214	-
Hire	594 083	1 084 720
Insurance	3 771 352	3 393 685
Community development and training	385 911	396 869
Conferences and seminars	465 230	312 028
Lease rentals on operating lease	4 566 878	3 707 232
Marketing	322 191	359 236
Promotions and sponsorships	198 073	-
Magazines, books and periodicals	87 044	123 956
Medical expenses	24 878	42 303
Motor vehicle expenses	34 592 011	34 580 704
Pest control	29 099	26 069
Postage and courier	3 048 150	3 135 599
Printing and stationery	3 308 665	2 906 468
Promotions	25 259	-
Royalties and license fees	4 710	4 230
Security (Guarding of municipal property)	24 875	6 766 711
Subscriptions and membership fees	4 381 009	3 761 637
Telephone and fax	5 475 514	5 284 487
Transport and freight	33 149	58 780
Training	2 593 140	1 720 198
Travel - local	341 807	146 098
Refuse	4 744 667	3 707 051
Title deed search fees	153 450	240 210
Electricity	-	25 840
Other miscellaneous	29 613 584	16 951 128
Revenue Enhancement	8 991 616	1 710 687
Alternative Energy	12 478 554	11 668 939
Indigent costs	15 414 067	14 120 209
Clean audit project	4 422 563	1 866 195
Meter Readings	9 003 955	6 161 482
Valuation Fees	5 442 403	1 304 627
Tracing fees	149 940	-
Chemicals	1 151 812	1 255 165
	208 688 051	163 424 687

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
24. Employee related costs		
Basic	279 745 899	264 720 343
Medical aid - company contributions	33 306 480	39 096 599
UIF	2 804 814	2 671 457
WCA	68 652	3 045 716
Other payroll levies	3 626 735	3 378 267
Leave pay provision charge	11 523 626	7 554 313
Other short term costs	-	4 846 349
Travel, motor car, accommodation, subsistence and other allowances	6 169 076	3 117 036
Overtime payments	28 952 612	23 191 719
Long-service awards	3 110 063	6 016 660
13th Cheques	21 780 795	20 345 508
Housing benefits and allowances	1 282 830	1 413 520
Group insurance	948 154	909 602
Pension fund	57 107 673	54 335 789
Redemption of leave	3 669 388	2 265 221
Other payments	1 911 278	1 798 711
	456 008 075	438 706 810
Remuneration of Municipal Manager		
Annual remuneration.	1 231 225	1 179 073
Remuneration of Chief Finance Officer		
Annual Remuneration.	1 226 671	1 153 900
Director municipal & social services : Section 57 appointment		
Annual equivalent of remuneration (Vacant from March 2012 to October 2013)	947 709	-
Director Corporate Services : Section 57 appointment		
Annual equivalent of remuneration (Vacant from July 2013 to October 2013)	1 822 957	945 107
Director Macro City Planning & Development : Section 57 appointment		
Annual remuneration	1 004 727	945 107
Director Strategic Planning, Monitoring and Control : Section 57 appointment		
Annual remuneration	1 004 727	945 107
Director Infrastructure		
Annual remuneration (Vacant from January 2012 to November 2012)	1 004 651	630 071
Director Electrical and Mechanical Engineering		
Annual remuneration	901 175	945 107
25. Remuneration of councillors		
Executive Mayor	724 669	690 159
Mayoral Committee Members	6 605 373	6 305 230
Speaker	583 908	556 101
Councillors	12 936 513	11 875 875
	20 850 463	19 427 365

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
25. Remuneration of councillors (continued)		
The Mayor has the use of a Council owned vehicle for official duties.		
The Executive Mayor has one full-time bodyguard\driver.		
26. Debt impairment		
Contributions to debt impairment provision	221 979 362	151 023 625
Debts impaired	-	765 607
	221 979 362	151 789 232
27. Investment revenue		
Interest revenue		
Bank	1 100 054	1 164 335
Interest charged on trade and other receivables	52 281 792	39 387 871
Interest on investments	3 686 045	4 524 173
	57 067 891	45 076 379
28. Depreciation and amortisation		
Property, plant and equipment	436 672 171	427 623 037
29. Finance costs		
Non-current borrowings	13 972 619	16 255 866
Other interest paid	20 251 123	13 066 001
	34 223 742	29 321 867
Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R16 548 755 - (2013: 30 123 263).		
30. Auditors' remuneration		
Fees	4 845 403	5 922 054
31. Contracted services		
Security Services	17 962 545	17 460 629
Disconnecting/ Connecting Services	55 041 616	34 963 767
Debt Collection	25 596 509	6 831 915
Garden Services Paypoints	39 882	259 778
Alarm System Monitoring Services	14 204	-
	98 654 756	59 516 089
32. Bulk purchases		
Electricity	435 735 434	448 836 842
Water	210 948 932	159 774 304
	646 684 366	608 611 146

Electricity and water are supplied by Eskom and Midvaal Water Company.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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32. Bulk purchases (continued)

Total distribution losses, both technical and non-technical, for water and electricity is at 23.50% (17.16%) and 14.10%(26.36%) respectively. Where applicable, own use is estimated. The municipality is in the process of installing meters at all its premises to enable us to accurately measure and manage own use. A strategy has been developed to minimise distribution losses and it will be implemented over time due to budget constraints.

33. Cash generated from operations

Deficit	(339 470 084)	(400 752 908)
Adjustments for:		
Depreciation and amortisation	436 672 171	427 623 037
Movement in valuation of wild stock	1 314 035	(670 974)
Debt impairment	221 979 359	151 789 232
Movements in provisions	(22 463 821)	(9 080 811)
Leave provision	-	(314 431)
Accrued leave	-	7 554 313
Loss on sale of assets	751 399	-
Changes in working capital:		
Inventories	(15 334 491)	2 376 124
Receivables from exchange transactions	(4 318 643)	13 681 025
Consumer debtors	(218 920 371)	(162 689 290)
Payables from exchange transactions	119 321 222	45 079 481
VAT	33 066 893	6 557 533
Receivables arising from irregular expenditure	(1 772 225)	(2 805 795)
Unspent conditional grants and receipts	(43 268 961)	22 746 387
	167 556 483	101 092 923

34. Commitments

Authorised capital expenditure

• Infrastructure	40 986 607	95 500 000
• Community	9 588 303	17 200 000
	50 574 910	112 700 000

This expenditure will be financed from :

• Government grants	50 574 910	112 700 000
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Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	956 384	1 827 887
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Operating lease payments represent rentals payable by the municipality for certain of its office properties, vehicles and office equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields on an ongoing basis. Lease agreements are non-cancelable and have terms from 3 to 6 years. There are no contingent rents receivable.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
35. Contingencies		
Contingent assets		
Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in a note of this financial statements, civil proceedings have commenced against the employees concerned to recover an amount of 2 300. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain. This issue has been resolved.		
City of Matlosana / G Wessie		
Claim by council against a former employee for equipment not yet returned.	-	2 300
City of Matlosana / St Phillips Congregation		
Council obtained judgement against respondent.	-	1 522 100
City of Matlosana / MM Moadira		
Six claims were formulated in the summons relating to financial losses incurred due to misconduct by the defendant.	4 754 892	5 000 000
City of Matlosana / Reetseng Construction CC		
A claim by Council for the non-delivery of goods paid for.	276 633	276 633
City of Matlosana / Zazise Communication CC		
A claim by Council for non-payment of money owed by the defendant for advertisement	-	500 000
City of Matlosana / Balemi Civils		
A claim by Council for non performance of contract CE58/2/2007/B.	1 600 000	1 600 000
City of Matlosana / Badiboa Building Construction CC		
Council instituted legal action to recover monies as per surety for failure to perform as per tender CE2/2/2010.	1 500 000	1 200 000
City of Matlosana / Mr Masisi		
Council instituted a civil claim against Mr Masisi. The defendant's pension fund was instructed to withheld pension monies due in lieu of this case.	7 822 100	7 822 100

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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36. Related parties

Relationships

Councillor LM Kortjas	Midvaal Water Company
Councillor RA Matsepe	Midvaal Water Company
Councillor EPJ Nel	Midvaal Water Company
Councillor S Nakedi	Midvaal Water Company
Councillor MI Groenewald	Midvaal Water Company
Councillor EJ Legassick	Star Lubricant Distributors CC
Councillor Dithejane MC	Lerato Botho Building Electrical Construction CC
Councillor A Combrinck	Lomdrom Skips

Councillors are members of the board of directors of the Midvaal Water Company (a section 21 company) who supply bulk water to the City of Matlosana. Transactions with Midvaal Water Company amounted to R155 842 995 (2013 : R161 369 878). Midvaal Water Company is a supplier and the transactions are at arm's length.

Councillor Legassick is a related party to Star Lubricant Distributors and the amount contracted for the year amounted to R2 505 (2013 : R42 356).

Councillor Dithejane is a member of Lerato Botho Building Electrical Construction CC which provides construction services that is awarded through the tender process. Expenditure for the current year is 2013 : R 171 579

Councillor A Combrinck is related party of Lomdrom Skips and the amount contracted for the year amounted to R3 600.

The following employees are related parties of entities that traded with the Municipality during the current financial year:

BS Manju is a related party of Majambase Trading Enterprise and the amount contracted for the year amounted to R6 050.

BS Humane is a related party of Titanic Funeral Services and the amount contracted for the year amounted to R62 848.

DZ Leteka is related party of Hard Steel & Projects Co-operation and the amount contracted for the year amounted to R5 610.

HE Pryba is a related party of Mmampudu Wheel & Tyre by virtue of being a close family member of the owner of the entity and the amount contracted for the year amounted to R467 626.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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37. Prior period errors

1. During the 2012 financial year the leave accrual was understated by R5 428 126.
2. During the 2013 financial year the leave accrual movement raised in the statement of financial performance was understated R10 962 523.16.
3. In 2013 the infrastructure was understated by R256 461 391.56, community facilities were understated by R10 506 166, heritage assets were understated by R536 238, other assets were understated by R10 564 292 and land and buildings were understated by R57 425 627 due to assets not previously recognised.
4. During the 2013 financial year an accounting error was uncovered which overstated the assets by R10 398 962 and understated revenue R13 038 782 and expenditure by R23 437 743.
5. Prior to the current financial year, the provision for long service awards was not recognised in the accounting records of the municipality.
6. In 2013 the councilors were erroneously overpaid and the subsequently the receivable of R 2 804 937 was acknowledged.
7. In the 2012 financial year payments and amounts payable of R10 876 215 to MUNMAP were debited to the Vat Claims account in error instead of expenditure.
8. In 2013 differences between the statement of the SARS VAT account and the accounting records were uncovered resulting in adjustments to align the two sets of records.
9. In 2013 the investment property was overstated R10 766 658.
10. In 2013 the land stock was overstated by R35 149 797.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
37. Prior period errors (continued)		
11. In 2013 an amount of R362 699 920 reinstated to consumer debtors was not correctly classified according to the appropriate service charges and debtor category.		
12. In 2013 the movement of the provision for landfill sites was incorrectly allocated to miscellaneous expenses instead of other income.		
13. In 2013 the contributions paid to the South African Local Government Authority were incorrectly disclosed as R2 000 000 instead of R2 587 137. Refer to note 45.		
14. In 2013 the claim by municipality against Zazise Communications CC was incorrectly disclosed as R0.00 instead of R500 000 in the contingent assets note.		
15. During the current year it was uncovered that a liability of R13 602 889 due to Shiva Uranium for construction costs of pipe lines owned by the municipality had never been accounted for in the financial records of the municipality.		
16. During 2013 equitable share was received less R3 974 000, due to unspent conditional grant, FMG R571 047 and MIG R3 400 000, that was to be repaid to National Treasury. National Treasury has been raised as a creditor and the corresponding grant revenue was subsequently raised and offset against the creditor.		
17. In 2013, the provision for continuous medical aid contributions was understated by R1 000 000.		
18. In 2013 the payroll liability was understated by R4 271 447.		
19. In 2010 there were properties sold on credit however the corresponding debtors were not accounted for in the municipality's records, as a result receivables from exchange transactions were understated by R12 588 277.		
20. The closing balance of irregular expenditure as disclosed in 2012 was understated by R843 619 459.19 and the amount disclosed for the 2013 financial year was overstated by R8 191 427.		
21. In 2013 the audit fees were understated by R3 713 035 and consequently the payables from exchange transactions were also understated.		
22. The unauthorised expenditure as disclosed in 2013 was overstated by R60 157 541.		
23. The opening balance of the Pension and Medical Aid Deductions as disclosed in 2013 was understated by R2 948 210.		
24. In 2013 the opening balance for the fruitless and wasteful expenditure was understated by R5 062 126.		
Effect of errors on the Accumulated Surplus		
Decrease in accumulated surplus due to error 1	-	(5 428 126)
Decrease in accumulated surplus due to error 3	-	335 493 714
Decrease in accumulated surplus due to error 5	-	(37 095 715)
Increase in accumulated surplus due error 8	-	52 961 870
Decrease in accumulated surplus due to error 9	-	(10 766 658)
Decrease in accumulated surplus due to error 10	-	(35 149 796)
Decrease in accumulated surplus due to error 15	-	(13 602 889)
Decrease in accumulated surplus due to 17	-	(1 000 000)
Decrease in accumulated surplus due to error 18	-	(3 756 623)
Increase in accumulated surplus due to error 19	-	11 042 349
Increase / (Decrease) in Unappropriated Surplus Account	-	292 698 126

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
37. Prior period errors (continued)		
Effect of errors on Statement of financial position		
Increase in Property, plant and equipment due to error 3	-	307 720 049
Decrease in investment properties due to error 9	-	(10 766 658)
Decrease in inventory due to error 10	-	(35 149 796)
Increase other receivables current due to error 6	-	2 804 937
Increase in payables from exchange transactions due to error 1	-	(5 428 126)
Increase in payables from exchange transactions due to error 2	-	(10 962 523)
Increase in provisions due to error 5	-	(43 112 375)
Increase in other financial liabilities due to error 15	-	(13 602 889)
Increase in provisions for error 17	-	(1 000 000)
Increase in vat receivable due to error 8	-	52 598 045
Decrease in the unspent conditional grant due to error 16	-	3 400 000
Decrease in payables for exchange transactions due to error 16	-	2 953
Increase in payables from exchange transactions due to error 18	-	(4 271 447)
Increase in payables from exchange transactions due to error 21	-	(3 713 035)
Increase in receivables from exchange transactions due to error 19	-	12 588 277
	-	251 107 412
Effect of errors on Statement of Financial Performance		
Deficit as previously reported	-	(359 162 192)
Increase in other income due to error 4	-	13 038 782
Increase in Depreciation due to error 3	-	(17 374 331)
Decrease in repairs and maintenance due to error 8	-	380 332
Increase in personnel costs due to error 2	-	(10 962 523)
Increase in general expenses due to error 4	-	(23 437 743)
Increase in personnel costs due to error 5	-	(6 016 660)
Decrease in remuneration of councillors costs due to error 6	-	2 804 937
Decrease in finance costs due to error 8	-	801 396
Increase in personnel costs due to error 18	-	(514 824)
Increase in grant revenue due to error 16	-	3 402 953
Increase in general expenses due to error 21	-	(3 713 035)
Restated deficit as per Statement of changes in Net Assets		(400 752 908)

38. Comparative figures

Certain comparative figures have been reclassified.

1. Rebates to the value of R5 444 088 relating to property rates have been reclassified to the revenue they relate to instead of expenditure for fairer presentation.
2. Other income has been broken down between it's major components for fairer presentation.
3. Expenditure relating to the provision of free basic services was originally netted off against service revenue and has not been allocated to general expenses.
4. Under the "General Expenses" note disclosure "Other miscellaneous expenses" have been split up to show the major components making up that expense line item for fairer presentation.
5. In 2013 the nature reserve wild stock was classified as inventory, to better reflect the true nature of this asset it has been classified separately in the current year's comparative.

The effects of the reclassification are as follows:

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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38. Comparative figures (continued)

Statement of financial position

5. Inventory	-	(3 341 648)
5. Nature reserve - Wild stock	-	3 341 648

Restated deficit as per Statement of changes in Net Assets

1. Property rates	-	(5 444 088)
1. General expenses	-	(5 444 088)
2. Other income	-	(26 000 000)
2. Income Subsidy Administration	-	26 000 000
2. Other income	-	(2 132 424)
2. Licences and permits	-	2 132 424
2. Other income	-	(7 850 851)
2. Reconnections	-	7 850 851
3. Service charges	-	7 742 847
3. General Expenses	-	7 742 847

39. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide services for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 13, cash and cash equivalents disclosed in note 11 and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 10% to 35%.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2014 and 2013 respectively were as follows:

Total borrowings

Current Liabilities		597 354 435	535 971 673
Non-current liabilities		353 594 796	401 419 551
		950 949 231	937 391 224
Less: Cash and cash equivalents	11	49 657 662	58 296 126
Net debt		901 291 569	879 095 098
Total equity		5 518 500 718	5 852 844 877
Total capital		6 419 792 287	6 731 939 975

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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Figures in Rand

2014

2013

39. Risk management (continued)

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2014 and 2013, the municipality's borrowings at variable rate were denominated in Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Long term receivables	24 016 041	16 377 449
Consumer debtors	75 798 944	78 857 935
Other receivables	4 786 848	3 036 838
Cash and cash equivalents	49 657 662	58 296 126

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedcor investment as disclosed in note 13.

40. Going concern

We draw attention to the fact that although the municipality reported a deficit of R339 470 084 at 30 June 2014, the municipality had accumulated surplus of R5 513 374 790 and that the municipality's total assets exceed its liabilities by R5 518 500 718.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We are experiencing cash flow challenges as a result of low debtors collection rate which has an impact on our ability to pay our creditors timeously. Our ability to continue as a going concern is highly dependant on improvement of collections and management of costs.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

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41. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date.

42. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	784 404 168	481 003 201
Unauthorised expenditure current year	655 391 203	303 400 967

Unauthorised expenditure awaiting authorisation	1 439 795 371	784 404 168
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Over expenditure against budget due to additional depreciation charge as a result of the GRAP 17 compliance exercise conducted and the impairment of consumer and sundry debtors. The total balance including the opening balance will be dealt with in accordance with the MFMA requirements.

During 2010 an amount of R21 459 111 was spent on the repairs of defects houses, which do not fall within the powers and functions allocated by the member of the executive committee of the department of local government in the province.

43. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	36 036 348	20 470 412
Fruitless and wasteful expenditure current year	17 967 226	15 565 936

Fruitless and wasteful expenditure awaiting condonement	54 003 574	36 036 348
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The Municipality incurred interest as a result of late payment of the Eskom, SARS and Auditor General accounts. Fines and penalties was also incurred for late submissions and other incidents of non-compliance.

44. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	1 613 456 027	1 241 390 935
Add: Irregular Expenditure - current year	201 081 173	372 065 092

Irregular expenditure awaiting condonement	1 814 537 200	1 613 456 027
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Various expenditure items were identified during the 2010 audit for which adequate supporting evidence could not be provided as proof that all Supply Chain Management Procedures were followed. These matters are currently being investigated and appropriate procedures as required by the MFMA will be implemented based on the findings of the investigations.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government : SALGA

Opening balance	1 688 140	859 084
Current year subscription / fee	4 442 020	3 422 693
Amount paid - current year	(6 106 406)	(2 593 637)
	23 754	1 688 140

Audit fees

Opening balance	4 412 066	174 507
Current year subscription / fee	6 079 303	5 922 054
Amount paid - current year	(2 853 484)	(1 684 495)
	7 637 885	4 412 066

PAYE, UIF and SDL

City of Matlosana

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Opening balance	3 570 233	3 364 483
Current year subscription / fee	48 800 703	44 409 225
Amount paid - current year	(48 437 599)	(44 203 475)
	3 933 337	3 570 233

Pension and Medical Aid Deductions

Opening balance	10 391 470	9 654 369
Current year subscription / fee	90 547 775	86 155 895
Amount paid - current year	(86 884 897)	(85 418 794)
	14 054 348	10 391 470

VAT

VAT receivable	17 622 652	50 689 545
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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:
(Currently arrangements with the councillors to deduct the outstanding balances from their monthly salaries in line with the council's credit policy)

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor LM Kortjas	4 445	9 889	14 334
30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor MM Bontsi	433	15 643	16 076
Councillor PM Coetzee	5 786	28 258	34 044
Councillor MK Khauoe	4 303	11 365	15 668
Councillor LM Kortjas	2 657	6 987	9 644
Councillor MV Maboke	445	349	794
Councillor NS Mendela	2 308	763	3 071
Councillor JJ Molebatsi	1 263	3 753	5 016
Councillor MJ Ngomane	1 476	11 678	13 154
Councillor GS Nkebe	931	2 156	3 087
Councillor TA Rametsi	734	11 080	11 814
Councillor KL Sethole	2 064	1 567	3 631
	22 400	93 599	115 999

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2014	Highest outstanding amount 2014	Highest outstanding amount 2013
Councillor MM Bontsi	-	16 075
Councillor M Coetzee	-	35 774
Councillor IM Groenewald	2 871	-
Councillor LM Kortjas	20 895	9 644
Councillor MJ Ngomane	-	21 726
Councillor TA Rametsi	-	11 814
Councillor KL Sethole	-	9 810
	23 766	104 843

46. Utilisation of Long-term liabilities reconciliation

Long-term liabilities	124 839 009	141 842 830
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Refer to appendix A for more detail on long-term liabilities.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
47. Contingent liabilities		
	-	-
Guarantee in favour of Telkom		
North-West Security Services t/a Cetronic Security Services / City of Matlosana		
A contract was cancelled with Cetronic Services. The claim against council is for services delivered after cancellation date.	-	-
Theron Jordaan & Smit / City of Matlosana		
This was an application by the claimant, a firm of attorneys, to be reinstated on the panel by council. There is also a counter action by council for files retained by the firm.	185 166	185 166
Francis Behr / City of Matlosana		
Mr Behr claimed against the Council for not transferring Erf 3141 Orkney Extension 2 into his name as he paid an amount of R 13 500.	13 500	13 500
S Pillay / City of Matlosana		
Me Shalin Pillay instituted legal action Council for damages suffered.	240 000	240 000
LJ Moshesh / City of Matlosana		
The City of Matlosana is waiting for judgment.	-	60 000
Roadspan Asphalt (Pty) Ltd / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff.	174 292	174 292
QCK Lezmin 4251 CC / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff.	1 309 124	1 309 124
River End Trading / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff.	87 372	87 372
Ke A Dira Construction CC / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS 1/2011.	2 274 703	17 391 227
New Integrated Credit Solutions / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS16/2010.	-	5 000 000
Rentokil initial (Pty) Ltd / City of Matlosana		
There is a potential of not recovering the legal cost incurred in defending this case.	-	96 801
Itumre Building Supply CC / City of Matlosana		
The City of Matlosana is defending the matter.	563 816	563 816
Silver Blade Abattoir (Pty) Ltd / City of Matlosana		
The claimant instituted legal action against the City of Matlosana.	200 000	200 000
MM Moadira / Executive Mayor and City of Matlosana		
The claimant instituted legal action against the City of Matlosana	4 000 000	4 000 000

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
47. Contingent liabilities (continued)		
Afriforum / City of Matlosana		
Afriforum sued the municipality for non-payment of the Midvaal and Eskom accounts.	1 000 000	-

City of Matlosana

Annual Financial Statements for the year ended 30 June 2014

Detailed Income statement

Figures in Rand	Note(s)	2014	2013
Revenue			
Service charges	20	988 903 852	755 446 840
Rendering of services		4 154	22 594
Rental of facilities and equipment	19	4 905 070	7 967 927
Licences and permits		7 012 811	6 649 116
Miscellaneous other revenue		211 098	1 300 165
Commissions received		10 337 606	9 889 822
Royalties received		2 123 176	1 212 273
Rental income		138 187	176 417
Discount received		880 337	435 478
Recoveries		40 645 863	13 330 882
Other income		16 428 741	23 059 130
Income Subsidy Administration		-	26 000 000
Interest received - investment		57 067 891	45 076 379
Property rates	19	190 356 831	189 017 160
Government grants & subsidies	21	478 651 728	441 141 568
Levies		1 397 186	1 367 641
Fines		9 305 861	7 943 389
Market Dues		15 418 449	13 471 243
Total revenue		1 823 788 841	1 543 508 024
Expenditure			
Personnel	24	(456 008 075)	(438 706 810)
Remuneration of councillors	25	(20 850 463)	(19 427 365)
Depreciation and amortisation	28	(436 672 171)	(427 623 037)
Finance costs	29	(34 223 742)	(29 321 867)
Debt impairment	26	(221 979 362)	(151 789 232)
Repairs and maintenance		(39 497 939)	(45 840 699)
Bulk purchases	32	(646 684 366)	(608 611 146)
Contracted services	31	(98 654 756)	(59 516 089)
General Expenses	23	(208 688 051)	(163 424 687)
Total expenditure		(2 163 258 925)	(1 944 260 932)
Operating deficit		(339 470 084)	(400 752 908)
Deficit for the year		(339 470 084)	(400 752 908)

The supplementary information presented does not form part of the annual financial statements and is unaudited

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014
		Rand	Rand	Rand	Rand
Development Bank of South Africa					
DBSA @ 12%	30-Sep-2014	7 011 633	-	4 536 544	2 475 089
DBSA @ 15%	30-Sep-2017	3 806 643	-	645 665	3 160 978
DBSA @ 15,25%	30-Sep-2018	4 523 670	-	575 617	3 948 053
DBSA @ 15,60%	30-Sep-2020	2 909 381	-	226 181	2 683 200
DBSA @ prime	30-Sep-2019	3 333 333	-	555 556	2 777 777
DBSA @ prime	30-Jun-2019	14 998 125	-	-	14 998 125
DBSA @ 11,50%	30-Jun-2013	-	-	-	-
DBSA @ 11,20%	30-Jun-2019	16 739 735	-	2 088 951	14 650 784
DBSA @ 11,20%	30-Jun-2019	20 946 674	-	2 613 934	18 332 740
DBSA @ 15%	31-Mar-2018	6 961 320	-	1 020 831	5 940 489
DBSA @ 15,25%	30-Mar-2019	3 228 497	-	319 588	2 908 909
DBSA @ 15,25%	20-Sep-2019	4 781 262	-	473 296	4 307 966
DBSA @ 15,25%	30-Sep-2019	3 679 866	-	364 269	3 315 597
DBSA @ 15%	31-Mar-2014	192 890	-	192 890	-
DBSA @ 15%	31-Mar-2015	699 841	-	332 807	367 034
DBSA @ 15%	31-Mar-2015	860 701	-	319 258	541 443
DBSA @ 12,25%	01-Nov-2010	32 188 622	-	1 360 686	30 827 936
		127 061 709	-	15 825 589	111 236 120
Annuity loans					
INCA @ 12,25%	31-Dec-2013	1 178 231	-	1 178 231	-
		1 178 231	-	1 178 231	-
Total external loans					
Development Bank of South Africa		127 061 709	-	15 825 589	111 236 120
Annuity loans		1 178 231	-	1 178 231	-
		128 239 940	-	17 003 820	111 236 120

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation

Accumulated depreciation

Opening Balance	Additions		Correction of Error		Disposals		Transfers		Closing Balance		Opening Balance		Correction of error acc. depreciation		Correction of error depreciation		Disposals		Depreciation		Impairment loss		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
60 231 425	-	-	45 911 946	-	-	(1 895 016)	-	-	104 248 355	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104 248 355	
407 175 057	-	-	21 588 120	-	-	-	-	-	428 763 177	-	(57 207 241)	(10 074 439)	(1 295 442)	-	-	-	-	-	-	(23 335 624)	(1 531 023)	-	-	(93 443 769)	-	335 319 408	
467 406 482	-	-	67 500 066	-	-	(1 895 016)	-	-	533 011 532	-	(57 207 241)	(10 074 439)	(1 295 442)	-	-	-	-	-	-	(23 335 624)	(1 531 023)	-	-	(93 443 769)	-	439 567 763	
3 658 256 735	57 090 371	-	188 035	(1 446 626)	-	-	-	-	3 714 088 515	(1 765 077 281)	(276 946)	29 962	831 898	(117 680 286)	-	(1 882 172 653)	1 831 915 862									1 831 915 862	
1 604 611 442	12 056 943	349 319 665	-	-	-	-	-	-	1 965 988 050	(782 390 826)	(129 627 685)	(12 784 992)	-	(57 006 699)	-	(981 810 202)	984 177 848									984 177 848	
2 443 447 511	28 539 607	44 571 185	-	-	-	-	-	-	2 516 558 303	(1 167 004 897)	(14 574 106)	(1 911 827)	-	(115 283 313)	-	(1 298 774 143)	1 217 784 160									1 217 784 160	
1 890 872 357	17 540 693	7 540 792	-	-	-	-	-	-	1 915 953 842	(956 864 070)	(11 078 510)	845 601	-	(50 565 048)	-	(1 017 662 027)	898 291 815									898 291 815	
8 334 224	-	-	-	-	-	-	-	-	8 334 224	(1 398 666)	-	-	-	(406 670)	-	(1 805 336)	6 528 888									6 528 888	
9 605 522 269	115 227 614	401 619 677	(1 446 626)	-	-	-	-	-	10 120 922 934	(4 672 735 740)	(155 557 247)	(13 821 256)	831 898	(340 942 016)	-	(5 182 224 361)	4 938 698 573									4 938 698 573	
Community Assets																											
229 995	-	-	-	-	-	-	-	-	229 995	(15 708)	-	-	-	-	-	(28 834)	201 161									201 161	
148 227 241	12 905 500	-	-	-	-	-	-	-	161 132 741	(17 848 127)	-	-	-	(8 914 974)	-	(26 763 101)	134 369 640									134 369 640	
409 341 841	-	11 882 264	-	-	-	-	-	-	421 224 105	(103 015 298)	(7 057 658)	(688 643)	-	(25 761 935)	-	(136 523 534)	284 700 571									284 700 571	
212 219 346	-	671 473	-	-	-	-	-	-	212 890 819	(39 635 259)	(322 244)	(38 322)	-	(12 296 673)	-	(52 292 491)	160 598 328									160 598 328	
37 462 669	-	-	-	-	-	-	-	-	37 462 669	(6 841 260)	-	-	-	(1 893 401)	-	(8 734 661)	28 728 008									28 728 008	
16 677 648	-	-	-	-	-	-	-	-	16 677 648	(1 257 614)	-	-	-	(972 667)	-	(2 230 281)	14 447 367									14 447 367	
16 395 189	-	-	-	-	-	-	-	-	16 395 189	(1 392 965)	-	-	-	(916 507)	-	(2 309 472)	14 085 717									14 085 717	
693 485	10 967 910	-	-	-	-	-	-	-	11 661 395	(2 679 574)	-	-	-	(879 147)	-	(3 558 721)	8 102 674									8 102 674	
16 854 230	384 457	-	-	-	-	-	-	-	17 238 687	(7 402 647)	-	-	-	(2 107 337)	-	(9 509 984)	7 728 703									7 728 703	
17 767 224	-	-	-	-	-	-	-	-	17 767 224	(4 604 621)	-	-	-	(559 085)	-	(5 163 706)	12 603 518									12 603 518	
886 143 293	13 983 442	12 553 737	-	-	-	-	-	-	912 680 472	(184 693 066)	(7 379 902)	(726 965)	-	(54 314 852)	-	(247 114 785)	665 565 687									665 565 687	

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation Accumulated depreciation

Opening Balance	Additions	Correction of Error		Disposals	Transfers		Closing Balance	Opening Balance	Correction of error acc depreciation	Correction of error depreciation	Disposals		Depreciation	Impairment loss	Closing Balance		Carrying value
		Rand	Rand		Rand	Rand									Rand	Rand	
2 073 878	-	-	536 238	-	-	-	2 610 116	-	-	-	-	-	-	-	-	-	2 610 116
2 073 878	-	-	536 238	-	-	-	2 610 116	-	-	-	-	-	-	-	-	-	2 610 116
21 951 056	-	-	7 393 578	-	-	-	29 344 634	(4 040 026)	(2 061 246)	(441 787)	-	-	(1 695 930)	-	(8 238 989)	-	21 105 645
21 951 056	-	-	7 393 578	-	-	-	29 344 634	(4 040 026)	(2 061 246)	(441 787)	-	-	(1 695 930)	-	(8 238 989)	-	21 105 645
70 788 249	2 746 091	5 668 884	-	(133 334)	-	-	79 069 890	(21 537 656)	(715 421)	(229 171)	36 735	-	(5 730 805)	-	(28 176 318)	-	50 893 572
14 443 286	476 803	3 727 769	-	-	-	-	18 647 858	(9 358 729)	(831 707)	(497 191)	-	-	(1 910 840)	-	(12 598 467)	-	6 049 391
27 896 429	43 643	653 865	-	(32 239)	-	-	28 561 698	(12 381 167)	(129 924)	(89 378)	22 863	-	(4 244 964)	(40 545)	(16 863 115)	-	11 698 583
25 031 278	279 026	2 535 278	-	(73 454)	-	-	27 772 128	(17 213 451)	(448 101)	(260 344)	42 794	-	(2 831 518)	(40 582)	(20 751 202)	-	7 020 926
229 064	-	109 298	-	-	-	-	338 362	(81 646)	(5 650)	(13 171)	-	-	(53 472)	-	(153 939)	-	184 423
138 388 306	3 545 563	12 695 094	(239 027)	-	-	-	154 389 936	(60 572 649)	(2 130 803)	(1 089 255)	102 392	-	(14 771 599)	(81 127)	(78 543 041)	-	75 846 895
467 406 482	-	67 500 066	-	-	(1 895 016)	-	533 011 532	(57 207 241)	(10 074 439)	(1 295 442)	-	-	(23 335 624)	(1 531 023)	(93 443 769)	-	439 567 763
9 605 522 269	115 227 614	401 619 677	(1 446 626)	-	-	-	10 120 922 934	(4 672 735 740)	(155 557 247)	(13 821 256)	831 898	-	(340 942 016)	-	(5 182 224 361)	-	4 938 698 573
886 143 293	13 983 442	12 553 737	-	-	-	-	912 680 472	(184 693 066)	(7 379 902)	(726 965)	-	-	(54 314 852)	-	(247 114 785)	-	665 565 687
2 073 878	-	536 238	-	-	-	-	2 610 116	-	-	-	-	-	-	-	-	-	2 610 116
21 951 056	-	7 393 578	-	-	-	-	29 344 634	(4 040 026)	(2 061 246)	(441 787)	-	-	(1 695 930)	-	(8 238 989)	-	21 105 645
138 388 306	3 545 563	12 695 094	(239 027)	-	-	-	154 389 936	(60 572 649)	(2 130 803)	(1 089 255)	102 392	-	(14 771 599)	(81 127)	(78 543 041)	-	75 846 895
11 121 485 284	132 756 619	502 298 390	(1 685 653)	(1 895 016)	-	-	11 752 959 624	(4 979 248 722)	(177 203 637)	(17 374 705)	934 290	-	(435 060 021)	(1 612 150)	(5 609 564 945)	-	6 143 394 679
763 104	-	-	-	-	-	-	763 104	-	-	-	-	-	-	-	-	-	763 104
763 104	-	-	-	-	-	-	763 104	-	-	-	-	-	-	-	-	-	763 104
59 290 818	-	(10 766 658)	-	-	(2 313 501)	-	46 210 659	-	-	-	-	-	-	-	-	-	46 210 659
59 290 818	-	(10 766 658)	-	-	(2 313 501)	-	46 210 659	-	-	-	-	-	-	-	-	-	46 210 659

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation Accumulated depreciation

Opening Balance	Additions	Correction of Error	Disposals	Transfers	Closing Balance	Opening Balance	Correction of error acc depreciation	Correction of error depreciation	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value

Total

Land and buildings
Infrastructure
Community Assets
Heritage assets
Housing
Other assets
Intangible assets
Investment properties

Segmental analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation

Accumulated Depreciation

Opening Balance	Additions	Disposals / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Transfers	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
16 882 579	-	-	16 882 579	(1 364 329)	(1 003 048)	-	(2 367 377)	14 515 202
565 502 360	1 077 942	-	566 580 302	(149 636 622)	(35 471 117)	-	(185 107 739)	381 472 563
30 102 550	-	-	30 102 550	(7 020 287)	(1 766 881)	-	(8 787 168)	21 315 382
125 432 154	-	(51 070)	125 381 084	(26 647 259)	(7 500 530)	27 490	(34 120 299)	91 260 785
28 620 049	3 217 619	-	32 037 668	(19 516 862)	(922 203)	-	(20 439 065)	11 598 603
3 733 646 874	57 111 599	(1 446 588)	3 789 311 885	(1 778 966 794)	(121 761 504)	831 898	(1 899 896 400)	1 889 415 485
1 997 447 643	-	(133 370)	1 997 314 273	(931 621 845)	(2 288 528)	36 735	(933 873 638)	1 063 440 635
163 570 496	-	(4 208 517)	159 361 979	(3 983 833)	(1 229 193)	-	(5 213 026)	154 148 953
89 208 772	37 190	(54 624)	89 191 338	(17 389 404)	(65 059 102)	38 166	(82 410 340)	6 780 998
91 466 068	120 854	-	91 586 922	(9 759 764)	(5 250 994)	-	(15 010 758)	76 576 164
821 674	-	-	821 674	(330 237)	(109 967)	-	(440 204)	381 470
2 516 749 786	28 539 607	-	2 545 289 393	(1 187 354 292)	(117 161 609)	-	(1 304 515 901)	1 240 773 492
12 927 162	-	-	12 927 162	(3 887 380)	(931 692)	-	(4 819 072)	8 108 090
1 922 359 279	17 540 693	-	1 939 899 972	(972 366 393)	(52 451 193)	-	(1 024 817 586)	915 082 386
390 190 432	13 054 173	-	403 244 605	(63 981 761)	(23 764 610)	-	(87 746 371)	315 498 234
11 685 127 878	120 699 677	(5 894 169)	11 799 933 386	(5 173 827 062)	(436 672 171)	934 289	(5 609 564 944)	6 190 368 442

Municipality

Health/Clinics
Comm. & Social/Libraries and archives
Housing
Public Safety/Police
Council General
City Civil Engineer
City Electrical Engineer
Corporate services
Financial section
Market
Local economic development
City Water
Cleansing
Sewerage
Sport Arts and Culture

City of Matlosana
Appendix D

Segmental Statement of Financial Performance for the year ended
Current Year

Prior Year	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
9 533 718	121 217 972	(111 684 254)	Executive & Council/Mayor and Council	5 811 495	153 567 053	(147 755 558)
451 140 548	535 486 709	(84 346 161)	Finance & Admin/Finance	518 336 535	461 811 644	56 524 891
6 499	5 734 239	(5 727 740)	Planning and Development/Economic Development/Plan	6 000	7 018 386	(7 012 386)
137 428	5 573 161	(5 435 733)	Health/Clinics	29 618	4 411 586	(4 381 968)
129 495 967	145 077 771	(15 581 804)	Comm. & Social/Libraries and archives	174 793 956	189 233 872	(14 439 916)
2 010 046	6 787 630	(4 777 584)	Housing	1 198 952	9 205 497	(8 006 545)
23 498 686	88 542 049	(65 043 363)	Public Safety/Police	73 864 399	150 763 526	(76 899 127)
5 212 335	61 908 166	(56 695 831)	Road Transport/Roads	3 317 019	149 883 212	(146 566 193)
469 313 330	505 824 358	(36 511 028)	Electricity /Electricity Distribution	611 233 323	523 141 721	88 091 602
434 418 971	407 777 665	26 641 306	Other/Air Transport	587 206 467	695 254 811	(108 048 344)
1 524 767 528	1 883 929 720	(359 162 192)		1 975 797 764	2 344 291 308	(368 493 544)
Municipal Owned Entities Other charges						
1 524 767 528	1 883 929 720	(359 162 192)	Municipality	1 975 797 764	2 344 291 308	(368 493 544)
1 524 767 528	1 883 929 720	(359 162 192)	Total	1 975 797 764	2 344 291 308	(368 493 544)

City of Matlosana
Appendix E(1)

**Actual versus Budget (Revenue and Expenditure) for
the year ended 30 June 2014**

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var
Revenue				
Rendering of services	-	-	-	-
Property rates	178 856 082	189 733 709	(10 877 627)	(5,7)
Service charges	904 676 767	966 482 326	(61 805 559)	(6,4)
Rental of facilities and equipment	5 041 816	8 337 437	(3 295 621)	(39,5)
Fines	9 305 861	7 143 800	2 162 061	30,3
Licences and permits	7 012 770	5 529 420	1 483 350	26,8
Government grants & subsidies	343 712 338	352 311 634	(8 599 296)	(2,4)
Market dues	15 418 449	15 000 000	418 449	2,8
Other income	434 895 284	380 322 977	54 572 307	14,3
Interest received - investment	3 686 045	4 000 000	(313 955)	(7,8)
	1 902 605 412	1 928 861 303	(26 255 891)	(1,4)
Expenses				
Personnel	(428 949 236)	(424 715 089)	(4 234 147)	1,0
Remuneration of councillors	(22 622 687)	(23 880 050)	1 257 363	(5,3)
Depreciation	(436 672 171)	(415 000 000)	(21 672 171)	5,2
Finance costs	(13 972 619)	(15 527 721)	1 555 102	(10,0)
Debt impairment	(245 515 748)	(230 000 000)	(15 515 748)	6,7
Collection costs	(8 472 433)	(8 000 000)	(472 433)	5,9
Repairs and maintenance - General	(58 116 123)	(65 507 593)	7 391 470	(11,3)
Bulk purchases	(510 288 347)	(595 360 440)	85 072 093	(14,3)
Contracted Services	(98 640 552)	(99 746 750)	1 106 198	(1,1)
General Expenses	(475 592 220)	(194 799 176)	(280 793 044)	144,1
	(2 298 842 136)	(2 072 536 819)	(226 305 317)	10,9
Net surplus/ (deficit) for the year	(396 236 724)	(143 675 516)	(252 561 208)	175,8

**Budget Analysis of Capital Expenditure as at
30 June 2014**

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Infrastructure : Electricity networks	13 179 792	16 498 964	3 319 172	20	Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Infrastructure : Roads and storm water	57 452 182	102 340 808	44 888 626	44	Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Infrastructure : Water networks	19 737 136	24 577 748	4 840 612	20	Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Infrastructure : Sewerage networks	17 841 339	21 271 873	3 430 534	16	Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Community assets : Buildings	52 788	194 351	141 563	73	Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Community assets : Parks and recreation	11 598 989	22 120 267	10 521 278	48	Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Other assets : Furniture	492 700	1 292 897	800 197	62	Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Other assets : Plant and equipment	306 771	1 235 000	928 229	75	Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
	123 423 838	192 777 999	69 389 739	36	

City of Matlosana
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		
MIG	National Treasury	8 000	35 000	32 870	-	16 650	20 740	26 506	58 819	Yes	
Nersa	National Treasury	-	-	-	-	-	-	-	-	Yes	
FMG	National Treasury	1 550	-	-	-	310	268	202	1 021	Yes	
DWAF	National Treasury	-	-	-	-	-	-	-	-	Yes	
MSIG	National Treasury	890	-	-	-	-	354	-	306	Yes	
EPWP	National Treasury	400	300	300	-	738	1	-	261	Yes	
Fire/Disaster Library	Provincial Treasury	200	-	400	-	-	-	-	-	Yes	
	Provincial Treasury	-	-	-	-	19	105	91	149	Yes	
		-	-	-	-	-	-	-	-		
Dsitric	District Municipality	-	-	15 588	-	-	-	12 223	-	Yes	
		11 040	35 300	49 158	-	17 717	21 468	39 022	60 556		

The amounts above are in R '000